



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0293	<b>Title:</b>	Allocate lottery money to teacher's retirement system
<b>Primary Sponsor:</b>	Himmelberger, Dennis	<b>Status:</b>	As Introduced

**Retirement Systems Affected:** ☒ Teachers ☐ Public Employees ☐ Highway Patrol ☐ Police  
☐ Sheriffs ☐ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?  
☒ Has the cost of this legislation been calculated by the system's actuary?  
☐ Does this legislation include full funding for any benefit revisions?

	<b>July 1, 2006 Current System</b>	<b>Increase/ (Decrease)</b>
Present Value of Actuarial Liability	\$3,608,900,000	\$0
Present Value of Actuarial Assets	\$2,745,800,000	\$0
Present Value of Projected Lottery Contributions	\$0	\$112,400,000
Actuarial Accrued Liability (AAL) Unfunded/(Funded)	\$863,100,000	\$0
Amortization Period of AAL	Does not Amortize	79

	<b>July 1, 2006</b>	<b>July 1, 2007</b>	<b>July 1, 2008</b>	<b>July 1, 2009</b>	<b>July 1, 2010</b>
Employee Contribution Rate	7.15%	7.15%	7.15%	7.15%	7.15%
Employer Contribution Rate	7.47%	7.47%	7.47%	7.47%	7.47%
State Contribution Rate	0.11%	0.11%	0.11%	0.11%	0.11%
TOTAL Contribution Rate	14.73%	14.73%	14.73%	14.73%	14.73%

**FISCAL SUMMARY**

	<b>FY 2008 Difference</b>	<b>FY 2009 Difference</b>	<b>FY 2010 Difference</b>	<b>FY 2011 Difference</b>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
Other (Pension Trust)	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$8,838,000)	(\$9,414,000)	(\$9,979,000)	(\$10,578,000)
Other (Pension Trust)	\$8,838,000	\$9,414,000	\$9,979,000	\$10,578,000
<b>Net Impact-General Fund Balance:</b>	<u><u>(\$8,838,000)</u></u>	<u><u>(\$9,414,000)</u></u>	<u><u>(\$9,979,000)</u></u>	<u><u>(\$10,578,000)</u></u>

**Description of Fiscal Impact:** Net lottery revenue proceeds would be deposited in the Teachers' Retirement System (TRS) rather than the State's General Fund.

**FISCAL ANALYSIS****Assumptions:**

1. Lottery revenues would start being paid to TRS at the beginning of the 2008 fiscal year. For the purpose of this fiscal note, TRS has used the lottery revenue estimates provided in HJR 2 for the first two years (FY 2008 and FY 2009) and Office of Budget and Program Planning for FY 2010 and FY 2011.
2. The additional source of future funding reduces the contribution increase required to maintain a 30 year amortization of the UAAL from 3.38% of member pay, as shown in Table 7 of the July 1, 2006 TRS actuarial valuation to 2.35% of member pay. This reduction equals 1.03% of member pay.
3. TRS has not included any escalation after that point in the costs since lottery proceeds would generally only increase with the price of lottery tickets which is relatively stable, or with increases in the number of tickets sold.
4. Assumed payments would be made at the end of each quarter in equal amounts.
5. The projected contributions from the State Lottery for the period from July 1, 2007 to June 30, 2036 have a present value of \$112.4 million, as of June 30, 2006.
6. The amortization period of the UAAL as of July 1, 2006 is estimated to be 79 years if this change was made and no additional increases to contributions were made.

	<b><u>FY 2008 Difference</u></b>	<b><u>FY 2009 Difference</u></b>	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Revenues:</u></b>				
General Fund (01)	(8,838,000)	(9,414,000)	(9,979,000)	(10,578,000)
Other (09) Pension Trust	<u>\$8,838,000</u>	<u>\$9,414,000</u>	<u>\$9,979,000</u>	<u>\$10,578,000</u>
<b>TOTAL Revenues</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$8,838,000)	(\$9,414,000)	(\$9,979,000)	(\$10,578,000)
Other (09) Pension Trust	\$8,838,000	\$9,414,000	\$9,979,000	\$10,578,000

**Long Range Impacts:**

The historical revenues from the Lottery have been volatile. To the extent that actual revenues are smaller (or larger) than those assumed in this fiscal note the additional required contributions would be larger (or smaller) than those estimated in this fiscal note.

**Technical Concerns:**

A 79 year amortization period does not meet the general requirements of actuarial soundness. Contributions in addition to the Lottery revenues would be needed to make the System actuarially sound.

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*Sponsor's Initials*


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*Date*


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*Budget Director's Initials*


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*Date*